

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 EA-07 FRB-03 INR-07 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01

EURE-00 DODE-00 H-01 INT-05 L-03 NSC-05 PA-01

SS-15 STR-04 ITC-01 PRS-01 FEAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 OIC-02 /117 W

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O R 211734Z JUL 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 6032

INFO ALL OECD CAPITALS

USMISSION GENEVA

AMEMBASSY BRUSSELS

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PASS EB/ISM (HAAS)

E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJ: FIRST MEETING OF OECD AD HOC STEEL GROUP

1. SUMMARY: FIRST SESSION OF AD HOC STEEL GROUP JULY
20 WENT SMOOTHLY AMID GENERAL AGREEMENT ON THE SERIOUS-
NESS OF THE SITUATION FACING THE INDUSTRY, THE URGENCY
OF IDENTIFYING ITS PROBLEMS, AND THE NEED TO HOLD OFF
PROTECTIONIST PRESSURES. GROUP COMMISSIONED IN DEPTH
ANALYSIS BY SECRETARIAT OF MEDIUM AND LONGER TERM
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SUPPLY/DEMAND SITUATION AND OF CHANGES IN TRADE
PATTERNS. IT ALSO ADOPTED U.S. PROPOSAL FOR
PRESENTATION AT NEXT MEETING BY INTERESTED MEMBERS
ON CURRENT SITUATION IN THEIR DOMESTIC INDUSTRY, ITS
LONGER TERM COMPETITIVE POSITION, AND GOVERNMENT
POLICIES TOWARD THE STEEL SECTOR. STEEL GROUP WILL
MEET AGAIN SEPT. 29-OCT. 1. U.S./EC/JAPAN TRILATERAL

ON JULY 19 LAID GROUNDWORK FOR THESE RESULTS. U.S. SUGGESTION THAT NEXT TRILATERAL SESSION (SCHEDULED FOR MORNING OF SEPT 29) INCLUDE DISCUSSION OF APPROACHES TO RESOLVING STEEL PROBLEMS RECEIVED POSITIVE RESPONSE FROM EC BUT JAPANESE REACTION WAS NEGATIVE. END SUMMARY.

2. JULY 20 MEETING OF AD HOC STEEL GROUP REVEALED BROAD AGREEMENT AMONG PARTICIPANTS ON TIMELINESS OF SESSION AND URGENCY OF TASK OF INCREASING COMMON KNOWLEDGE AND UNDERSTANDING OF PROBLEMS FACIN THE WORLD STEEL SECTOR. COMMON THEME IN ALL STATEMENTS WAS NEED TO EXAMINE LONGER TERM DEMAND/SUPPLY PROSPECTS, INCLUDING SITUATION OUTSIDE OECD AREA, AND FUTURE SUPPLY/DEMAND SITUATION WAS CLEARLY ISSUE OF GREATEST CONCERN TO PARTICIPANTS IN GROUP. EC STATED VIEW THAT SITUATION OF ITS OWN INDUSTRY WAS MUCH MORE TRANSPARENT THAN THOSE OF OUT COUNTRIES BECAUSE OF THE LARGE AMOUNTS OF PUBLISHED DATA, AND THAT GROUP SHOULD WORK FOR GREAT EQUIVALENCE OF COUNTRIES' EFFORTS IN THIS AREA. IN ADDITION EC EMPHASIZED NEED TO EXAMINE CHANGES IN TRADE PATTERNS. JAPANESE DEL ARGUED THAT INCREASES IN JAPAN'S STEEL PRODUCTION OVE 1965-75 HAD GONE PRINCIPALLY TO DOMESTIC AND NON-OECD EXPORT MARKETS, AND THAT EXAMINATION OF BASIC COMPETITIVE POSITION OF EACH COUNTRY'S STEEL INDUSTRY, AND FACTORS UNDERLYING THIS, SHOULD BE IMPORTANT LIMITED OFFICIAL USE

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ELEMENT OF OECD WORK PROGRAM. U.S. INTERVENTIONS FOCUSED ON AREAS WHERE FURTHER WORK WOULD BE USEFUL, PARTICULARLY PRESENTATIONS BY MEMBERS ON SITUATION FACED BY THEIR INDUSTRY. OF OTHER DELS, ONLY SWITZELAND, SWEDEN AND AUSTRALIA MADE COMMENTS.

3. DELEGATIONS AGREED TO SUBMIT DETAILED COMMENTS ON SECRETARIAT REPORT C (77) 104 IN WRITING. JAPAN THOUGHT THE STUDY'S ESTIMATE ON THE SUPPLY/DEMAND IMBALANCE AND CURRENT CAPACITY UTILIZATION RATES ARE "EXAGGERATED". AT U.S. URGING, THE PARTICIPANTS AGREED, ON A BEST EFFORTS BASIS, TO EXPAND SCOPE OF STUDY TO INCLUDE PIPE, TUBES, AND WIRE (THESE PRODUCTS OUTSIDE ECSC DEFINITIONOF STEEL INDUSTRY, WHICH SECRETARIAT USED IN ITS INITIAL REPORT). LATER IN MEETING GOJ DEL SUGGESTED USE OF ECE STEEL PRODUCT DEFINITIONS AND SECRETARIAT PROMISED FURTHER EFFORTS TO REFINE PRODUCT DEFINITIONS IN ORDER TO ACHIEVE COMPARABILITY IN DATA TO BE CONSIDERED.

4. JULY 19 U.S./EC/JAPAN TRILATERAL WAS DEVOTED MAINLY TO DISCUSSION OF FUTURE WORK TO BE DONE BY

AD HOC GROUP, AND PARTICULARLY U.S. PROPOSAL FOR NATIONAL SUBMISSIONS. IN RESPONSE TO U.S. DRAFT OF OUTLINE TO BE FOLLOWED FOR THESE, JAPAN PRESSED FOR INCLUSION OF SECTION ON "PRODUCTION STRUCTURE ". (MEANING TECHNOLOGY, RAW MATERIAL COSTS, AND AGE STRUCTURE OF PLANT AND EQUIPMENT), APPARENTLY IN ORDER TO HIGHLIGHT THE EFFICIENCY OF JAPANESE STEEL MAKING AS THE SOURCE OF JAPAN'S STRONG COMPETITIVE POSITION IN EXPORT MARKETS. EC DEL OBJECTED TO BREAKDOWN OF ANALYSIS INTO SIX SPECIFIC PRODUCT CATEGORIES AS PROPOSED BY U.S. BUT ACCEPTED COMPROMISE LANGUAGE PUTTING STUDY ON "BEST ENDEAVOR" BASIS WITH REFERENCES TO "DIFFERENCES AMONG PRODUCTS WHERE THE SITUATION VARIES FROM THE GENERAL PATTERN". AT PLENARY SESSION LIMITED OFFICIAL USE

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THE ONLY SUBSTANTIVE CHANGE IN OUTLINE WAS INCLUSION OF "DOMESTIC AND IMPORTED RAW MATERIAL SUPPLIES" (TO MEAN IRON ORE, COKING COAL, AND SCRAP) AT REQUEST OF AUSTRALIA.

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FM AMEMBASSY PARIS
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5. AT END OF TRILATERA), U.S. STATED THAT IT WILL OFFER AT NEXT TRILATERAL SOME VIEWS ON POSSIBLE SOLUTIONS TO PROBLEMS IN WORLD STEEL TRADE ON AN INFORMAL, EXPLORATORY, NON-NEGOTIATING BASIS. EC DEL (LOEFF) INDICATED EC WOULD BE WILLING TO DISCUSS POSSIBLE SOLUTION ON THIS BASIS AND THAT EC MAY HAVE IDEAS OF ITS OWN TO PRESENT. IT WAS AGREED, HOWEVER, THAT THE NEXT MEETING OF AD HOC GROUP WILL NOT ITSELF DISCUSS SOLUTIONS. JAPANESE DEL STATED IT COULD NOT LIMITED OFFICIAL USE

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COMMIT ITSELF TO DO MORE THAN STUDY THE SITUATION WITHOUT FURTHER INSTRUCTIONS FROM TOKYO. IN SUBSEQUENT SIDE DISCUSSION GOJ DEL STRESSED ITS CONCERN ABOUT U.S. PRESSING TOO HARD FOR EARLY CONSIDERATION OF POSSIBLE SOLUTIONS.

6. AD HOC GROUP AGREED TO HOLD SECOND SESSION SEPTEMBER 29-OCTOBER 1. AGENDA FOR SEPTEMBER MEETING WILL INCLUDE DISCUSSION OF WORLD STEEL SUPPLY AND DEMAND FORECAST AND CHANGES IN STEEL TRADE PATTERNS ON THE BASIS OF ANALYSES TO BE PREPARED AND CIRCULATED IN EARLY SEPTEMBER BY SECRETARIAT. (SECRETARIAT INDICATED IT WOULD COLLATE AND SUMMARIZE EXISTING SUPPLY/DEMAND PROJECTIONS RATHER THAN ATTEMPT NEW EFFORT ITSELF.) IN ADDITION INDIVIDUAL MEMBER COUNTRIES WHO WISH WILL REPORT ON THEIR DOMESTIC STEEL SITUATIONS. TEXT OF AGREED OUTLINE FOR THESE PRESENTATIONS IS AS FOLLOWS:

BEGIN TEXT:

MEMBERS ARE INVITED TO PREPARE FOR THE NEXT MEETING A PRESENTATION IN WHICH THEY WOULD USE THEIR BEST ENDEAVOR TO PROVIDE:

1. A REVIEW AND ANALYSIS OF THEIR CURRENT SUPPLY AND DEMAND SITUATION IN THEIR HOME MARKET AND THE PRINCIPAL PROBLEMS BEING EXPERIENCED.

SUCH REVIEW WOULD INCLUDE CONSIDERATION OF

VARIOUS RELEVANT ELEMENTS INCLUDING PRODUCTION,
CAPACITY UTILIZATION, INVENTORIES, EMPLOYMENT,
DOMESTIC AND IMPORTED RAW MATERIAL SUPPLIES.
DOMESTIC STEEL SHIPMENTS, FOREIGN TRADE,
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PROFITABILITY AND PRICES. REFERENCE SHOULD
BE MADE, WHERE RELEVANT, TO DIFFERENCES AMONG
PRODUCTS WHERE THE SITUATION VARIES FROM THE
GENERAL PATTERN.

2. A REVIEW AND ANALYSIS OF THE LONGER TERM
DEVELOPMENTS AND COMPETITIVE POSITION OF THEIR
COUNTRY'S STEEL INDUSTRY AND PRINCIPAL PROBLEMS FACED.

SUCH A REVIEW WOULD INCLUDE CONSIDERATION AND
VIEWS ON EXISTING PRODUCTION STRUCTURE AND COSTS,
AND PLANS FOR INVESTMENT OR DISINVESTMENT.

3. A DESCRIPTION OF GOVERNMENTAL POLICIES OR ACTIONS
THAT HAVE BEEN TAKEN OR MAY BE TAKEN WITH RESPECT TO
THE PROBLEMS IDENTIFIED ABOVE. END TEXT.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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